

# Legal Commentary

October 15, 2025

## How do Cross-Border Payment Institutions Issue Virtual Payment Cards in Hong Kong

**Authors: Wei QUAN | Felix MIAO | Bo ZHENG | Jiafeng WU**

In recent years, with the rapid development of global e-commerce and digital service trade, an increasing number of Mainland entities have engaged in cross-border e-commerce business, giving rise to substantial demand for cross-border payment and collection services. In the field of outbound payments, virtual payment cards, as a relatively emerging solution, have gradually become a key business area for cross-border payment institutions to explore. Meanwhile, Hong Kong, China, leveraging its unique geographical advantages, status as a financial center, and sound financial infrastructure, has been favored by market institutions as a venue for issuing virtual payment cards.

This article starts from the common business models of virtual payment cards and combines current mainstream card-issuing approaches to provide cross-border payment institutions with ideas for issuing virtual payment cards in Hong Kong.

### Functional features and market prospects of virtual payment cards

#### I. Functional features

A virtual payment card is essentially a non-physical payment instrument that enables value storage and transfer, transaction processing based on the licensed institution's existing account system / collection and payment function and card network (some institutions also issue physical cards simultaneously). Compared with traditional payment methods, virtual payment cards have the following functional features:

- **Multi-currency payment support:** Virtual payment card products typically cover major international currencies such as USD, EUR, and HKD. Some products also support exchange with small currencies to meet transaction needs in emerging markets. This feature helps users reduce currency conversion friction and mitigate exchange rate fluctuation risks. Currently, many products also support binding with mainstream payment tools for greater convenience.
- **Instant activation, covering multiple payment scenarios:** Virtual payment cards now cover a wide range of payment scenarios. In the cross-border e-commerce sector, they can address various payment and settlement needs of platform merchants, including but not limited to settlement of payments to upstream suppliers, recharge for overseas advertising, payment for

third-party services, and rental payment for e-commerce platform stores. This resolves the pain points of traditional telegraphic transfers, such as long settlement cycles and high service fees. In corporate travel management, employees can use virtual payment cards to pay for hotel bookings, air tickets, etc., while enterprises can manage employee payment activities and simplify reimbursement processes through pre-allocated amount limits and real-time backend tracking. Additionally, in high-frequency, small-value payment scenarios such as cross-border commission disbursement, online education payment, and digital content procurement, virtual payment cards play an important role due to their instant activation features.

- **Regulatory constraints under AML/CFT compliance:** As licensed financial entities, virtual payment card issuers must meet corresponding compliance requirements when conducting virtual payment card business. Users' use of virtual payment cards for payment activities does not entail higher non-compliance risks than traditional payment and settlement instruments.

## II. Market prospects

Hong Kong, as one of the international financial and payment centers, plays a crucial role in global electronic payment and settlement.

According to the *Statistics of Stored Value Facilities (SVF) Schemes Issued by SVF Licensees*<sup>1</sup> released by the Hong Kong Monetary Authority (HKMA) on September 19, 2025, as of the end of Q2 2025:

- The total number of SVF accounts in use was 82.75 million, representing a 2.3% increase from the previous quarter.
- The total number of SVF transactions was around 2.1 billion, or 1.8% higher than the previous quarter.
- The total value of SVF transactions was HK\$285.8 billion, representing a 0.9% decrease from the previous quarter, a decrease of 0.9% quarter-on-quarter, of which HK\$28.8 billion was for online spending payments;
- The total float and SVF deposit was HK\$20.4 at the end of Q2/2025, 4.5% higher than the previous quarter.

As compared with the end of Q2/2024, the total number of SVF accounts in use at the end of Q2/2025 was up by 9.8%, and the total float and SVF deposit was up by 13.8%. The total number and value of SVF transactions during Q2/2025 were up by 6.1% and 31.7% respectively year-on-year.

The above data further confirms the potential of Hong Kong's payment market. According to public information, a number of cross-border payment institutions have launched virtual payment card products based on the payment licenses they hold in Hong Kong. Against the backdrop of the continuous digitalization of cross-border trade, virtual payment cards, as a new highlight in cross-

<sup>1</sup> HONG KONG MONETARY AUTHORITY: Statistics of Stored Value Facilities (SVF) Schemes Issued by SVF Licensees, 19 Sep 2025, <http://hkma.gov.hk/eng/news-and-media/press-releases/2025/09/20250919-3/>.

border payments, still have broad market prospects.

## Key considerations in the virtual payment card issuance

### I. Selection of licensed entities

When issuing virtual payment cards in Hong Kong, the core license options include the Stored Value Facility (SVF) License and the Money Service Operator (MSO) License.

#### ■ SVF Licence

The SVF Licence is regulated by the HKMA under the *Payment Systems and Stored Value Facilities Ordinance (Cap.584)*, with its core positioning focused on the issuance and operation of stored value facilities. Its business scope is limited to the management, payment, and settlement of stored value funds, as well as remittance and/or currency exchange services (as auxiliary services). Due to the regulator's emphasis on "business focus," licensed institutions generally cannot engage in other businesses unrelated to stored value payments. Applicants for the SVF License must meet the requirement of a minimum paid-up capital of HK\$25 million, and senior management and other key personnel specified by the regulator must be permanently based in Hong Kong. The approval cycle is usually relatively long.

#### ■ MSO License

The MSO License is regulated by the Customs and Excise Department of the Hong Kong Special Administrative Region under the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap.615)*, with its core business mainly covering two categories of money services: currency exchange services and remittance services. Its regulatory logic focuses more on anti-money laundering (AML) and fund security, with no mandatory requirement for high registered capital. The application process is relatively short, and institutions are allowed to flexibly handle multi-currency funds within the compliance framework.

In comparison, the SVF License has higher capital requirements and compliance standards. Considering the compatibility of functions, application difficulty, and operating costs, for institutions whose core business is cross-border payment, collection, and exchange and that need to concurrently issue virtual payment cards, the MSO License, although approval standards have become stricter in recent years, still has obvious advantages over the SVF License in terms of application costs and difficulty. It is to be noted, however, as an MSO License takes "currency exchange" and "remittance" as its core business functions, the practice of receiving users' advance payments directly and using such payments for subsequent transactions may exhibit certain similarities to SVF's (Stored Value Facility) business. Although this model is relatively common in the market currently, whether it can gain long-term recognition from regulatory authorities remains to be seen through ongoing observation.

### II. Application process and requirements for the MSO License

#### ■ Core applicable laws, regulations, and guidelines

The regulatory system for the MSO Licence is centered on the *Anti-Money Laundering and Counter-*

*Terrorist Financing Ordinance (Cap.615)*, supplemented by a number of detailed rules and guidelines, including but not limited to:

- *Money Service Operators Licensing Guide (April 2023)*, *Guidelines for Submission of Business Plan by Applicant for Money Service Operator Licence/Licensee*, *Guidelines for Submission of AML/CFT Policy by Applicant for Money Service Operator Licence/Licensee*: These specify application materials, review standards, and process requirements;
- *Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Money Service Operators) (June 2023)*: These elaborate on AML/CFT regulatory requirements;
- *Disciplinary Action Guideline on Imposition of Pecuniary Penalty (April 2018)*, *Disciplinary Fining Guideline (May 2018)*: These clarify factors to be considered when imposing penalties on licensees;
- *Guideline on Criteria for Determining Fitness and Propriety (April 2018)*, *Supplementary Guideline on Criteria for Determining Fitness and Propriety (January 2020)*: These stipulate the qualification requirements that applicant and relevant personnel must meet.

#### ■ **Application process**

1. **Entity:** Establish a business entity in Hong Kong
2. **Preparation and submission of written materials:** Submit the application through the Money Service Operators Licensing System or by post or in person to the Commissioner of Customs & Excise;
3. **Regulatory inquiry and inspection:** Conduct face-to-face interviews with the Customs and Excise Department, sign relevant documents, and accept inspections by the Customs and Excise Department;
4. **License granting:** Upon approval, the Customs and Excise Department will issue an MSO License valid for 2 years; an application for license renewal must be submitted 45 days before the expiry of the license.

Based on our past experience in assisting clients with MSO License applications, bank account opening, personnel interviews, and AML capabilities are the main key points and potential bottlenecks.

### III. **Collaboration with card networks**

The issuance and use of virtual payment cards typically rely on international card networks. From a business logic perspective, issuers need to establish cooperation with international card networks to complete card BIN applications, transaction routing configuration, and settlement rule alignment, ensuring that the cards can be used in the global merchant network covered by the card networks. The merchant-side acquirer process fully relies on the existing acquirer system of the card networks, with acquirers handling transaction verification, fund settlement, and reconciliation services. There is no need for issuers to build a separate acquirer network.

In practice, card networks have strict requirements for the qualification review, risk control, and compliance of business operations of cooperative issuers. Based on our past experience, card networks generally focus on the license qualification of payment institutions, AML capabilities, and cross-jurisdictional cross-border business risks, and may require opinions and support from external lawyers for the aforementioned aspects.

## **Key compliance considerations in the virtual payment card operation process**

In the process of conducting virtual payment card business under the MSO License, the main compliance considerations include at least the following two aspects:

### **I. Key compliance requirements under Hong Kong law: shall not provide loan or overdrafts**

When issuing virtual payment cards under the MSO License, the core principle of “prepayment before use” must be strictly followed. According to the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap.615)*, the business scope of the MSO License includes currency exchange and remittance. Both currency exchange and remittance services can only be conducted on the premise that the MSO has received funds from the customer. In other words, the business scope permitted by the MSO License does not include any business involving overdrafts, credit extension, loan provision, or guarantees.

Therefore, when conducting virtual payment card business based on the MSO License, it is necessary to strictly comply with the constraints of the “payment” nature, with the primary prerequisite being to ensure that the MSO has received the corresponding amount of customer funds. We have noted that similar card products in the market may be named “virtual cards,” “virtual credit cards,” or “virtual payment cards.” However, when the issuer is an MSO entity, regardless of whether the card product is named “payment card” its actual business must be restricted to the “advance payment” model and, in theory, cannot be equipped with credit extension functions.

### **II. Compliance requirements for issuance to mainland customers: focus on the compliance boundaries of cross-border financial business**

Mainland customers have substantial demand for cross-border fund payment, collection, and exchange due to their overseas business expansion, making them an important part of traditional cross-border payment service users. In virtual payment card issuance activities, Mainland customers are also an important potential customer group. When Hong Kong-based entities directly provide payment and other financial services to Mainland customers, they need to pay attention to the compliance risks of cross-border financial business.

For a long time, China’s Mainland has adhered to the financial regulatory principle that “entities without financial licenses issued by Mainland financial regulatory authorities shall not conduct corresponding financial business.” China’s opening-up commitments under the WTO framework – specifically, the content related to financial services under *Annex 9: Schedule of Specific Commitments on Services of the Protocol on the Accession of the People’s Republic of China (2001)* – provide explanations on permitted cross-border financial services:

Business model	Commitments on concessions
Consumption abroad	Highest degree of openness; no restrictions except for no commitment on insurance brokers.
Presence of natural persons	No opening-up of financial services provided through the “Presence of Natural Persons” model except for the three scenarios permitted under horizontal commitments.
Cross-border supply	No opening-up of other financial services provided through the “Cross-Border Supply” model except for (1) reinsurance; international marine, aviation, and transport insurance; brokerage for large scale commercial risks, international marine, aviation, and transport insurance, and reinsurance; (2) foreign securities institutions may engage directly (without Chinese intermediary) in B share business, and (3) provision and transfer of financial information, and financial data processing and related software by supplier of other financial services.
Commercial presence	Continuous opening-up of financial services provided through the “Commercial Presence” model, mainly reflected in reducing or even eliminating foreign ownership restrictions, implementing pre-establishment national treatment, and ensuring consistent treatment for domestic and foreign entities.

According to the above commitments, in the financial services sector, except for “Consumption Abroad” which is basically unrestricted, China generally does not allow overseas financial institutions to provide financial services to Mainland entities through the “Cross-Border Supply” or “Presence of Natural Persons” models. Except for a small number of specific open scenarios, overseas financial institutions shall conduct business with Mainland entities through the “Commercial Presence” model.

However, there are currently no clear guidelines on how to apply specific regulatory requirements to virtual payment card business conducted online. For Hong Kong-based entities, they cannot meet the “Commercial Presence” business model by themselves. Therefore, designing a reasonable business model to avoid engaging in non-compliant cross-border financial business is also a key compliance focus for Hong Kong-based entities when issuing virtual payment card products.

### **Innovative direction: stablecoin card/U-card business**

In addition to virtual payment cards based on fiat currencies, many institutions are currently exploring the feasibility of compliantly issuing stablecoin cards (including U-cards and other payment cards anchored to virtual assets).

As a combination of payment instruments and virtual assets, stablecoin cards (including U-cards and other payment cards anchored to virtual assets) have already taken shape on a global scale. From the perspective of international practice, under the current mainstream model, stablecoin cards allow users to recharge stablecoins into the card to make payments at traditional merchant networks. Currently, some card networks have launched business cooperation with relevant institutions in this field.

Hong Kong's legislative progress in the regulation of stablecoins and virtual assets has laid an institutional foundation for the launch of such businesses, but it has also created relatively high preparation thresholds and requirements. In the process of specific business implementation, it is necessary to focus on the design of the card product's business model to avoid the risk that the card issuer engages in regulated business without obtaining the necessary permits (e.g., failing to obtain qualifications such as the SVF License, stablecoin issuer license, trust or company service business license, or Type 1 Securities Trading License).

Overall, with the continuous maturity of Hong Kong's legislation and the development of the market, we look forward to seeing Hong Kong play a more core role in the global payment market and provide market entities with a richer range of product options.

***Important Announcement***

This Legal Commentary has been prepared for clients and professional associates of Han Kun Law Offices. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

If you have any questions regarding this publication, please contact:

**Wei QUAN**

Tel: +86 21 6080 0946

Email: [wei.quan@hankunlaw.com](mailto:wei.quan@hankunlaw.com)

**Felix MIAO**

Tel: +852 2820 5606

Email: [felix.miao@hankunlaw.com](mailto:felix.miao@hankunlaw.com)